



2018 Trendbarometer

Trends in the Real Estate Industry Put to the Test

The expert survey by Berlin Hyp AG

Know tomorrow's trends today.

What do things really look like in the real estate industry?

How attractive is the German market for commercial real estate compared to the rest of Europe?

Which factors shape the German real estate market?

Which megatrends influence the commercial real estate market?

How will margins and new lending develop in the coming year?

Concerning new financing, which asset classes are in the main focus?

More than 320 real estate experts took part in our online survey in October 2018 and commented on their expectations in real estate for the coming year. The survey provides an assessment of the German real estate market in the current real estate year and a perspective for further development.

2018 trend barometer conclusion

Still unchanged: Continuous approval rates illustrate the special attractiveness of the German real estate market compared to the rest of Europe.

Interest, again and again: For some years now, interest rate levels have been the determining factor for the next twelve months. The political framework conditions remain consistently in second place.

Clear vote: According to 75 % of respondents, global crises are driving the German real estate market.

The megatrend of megatrends: According to at least 30 % of the respondents, digitisation is the largest influencing factor in commercial real estate financing. Urbanisation and modern working environments are quite far behind.

Anything is possible: There is uncertainty about margins. 35 % of respondents expect stagnation, 26 % rising margins and 34 % slightly declining margins. This remains to be seen.

New lending remains stable: For 69 % of respondents, new lending remains at a consistently high level or is even increasing.

2018 trend barometer conclusion

Change of strategy: The vast majority of respondents (76 %) assume that the pressure on margins will force banks into higher risk. This majority is hopefully mistaken.

Focus on residential: By far, the main focus in new financing is clearly on residential and office asset classes.

Draw: In the respondents' opinion, 55 % believe there is a bubble. 45 % do not think we need to be afraid of a bubble.

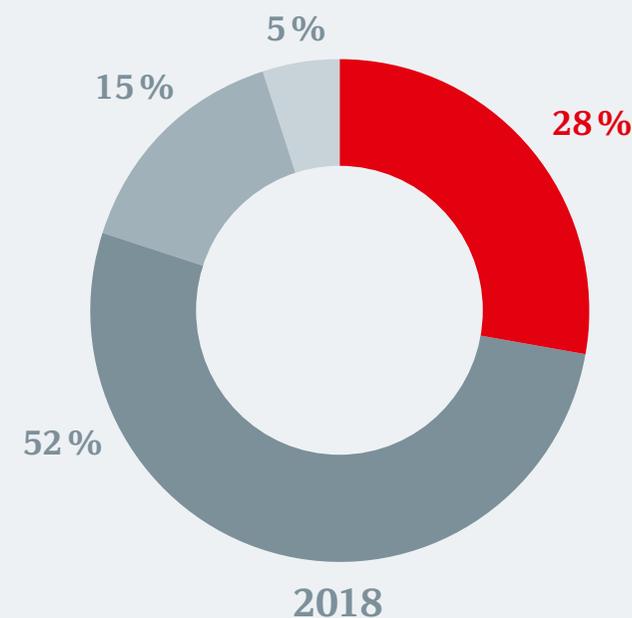
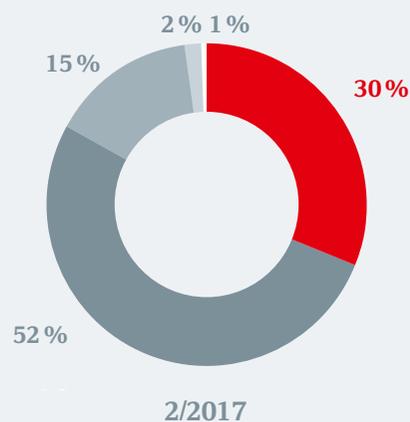
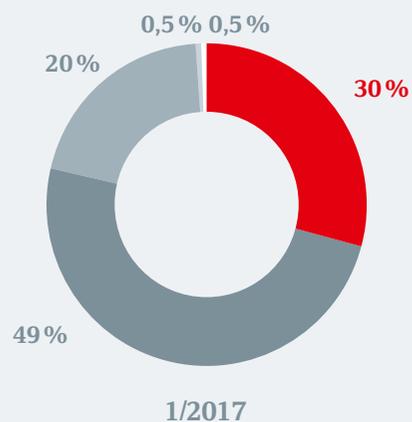
No effects: According to 56 % of respondents, demographic changes will not affect the demand for office space.

Inhibited digitisation: In the digitisation process, only 33 % of respondents feel adequately supported by the German coalition agreement. Above all, data protection requirements as well as the lack of IT competence and the quality of the internal IT infrastructure are seen as internal obstacles.

1. How do you currently assess the attractiveness of the German commercial real estate market compared to the rest of Europe?

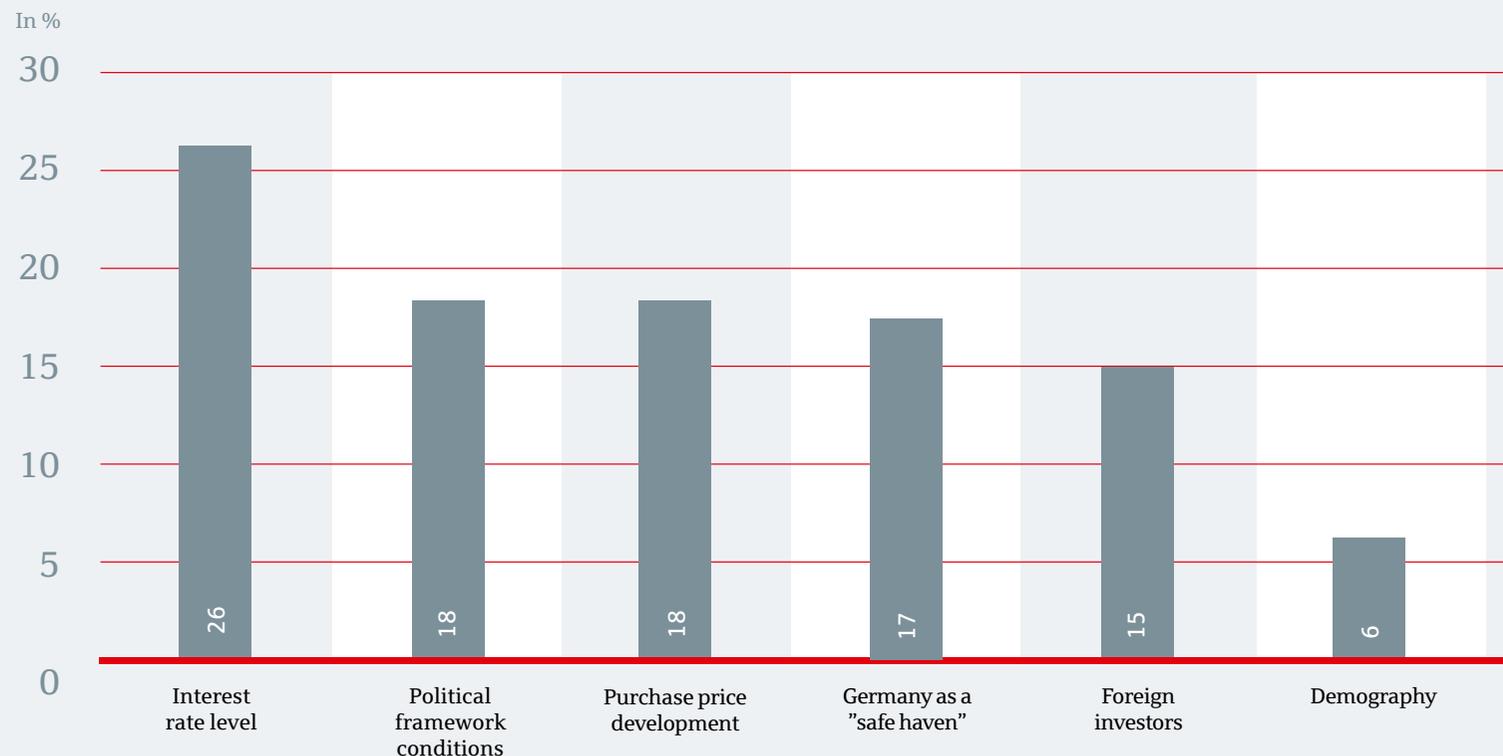
The commercial real estate market in Germany is as solid as a rock. Political stability and a robust economy continue to make Germany attractive to investors. Uninterrupted approval values manifest the special attractiveness of the German real estate market compared to the rest of Europe.

■ Much more attractive ■ Somewhat more attractive ■ No change ■ Less attractive
■ Not at all attractive



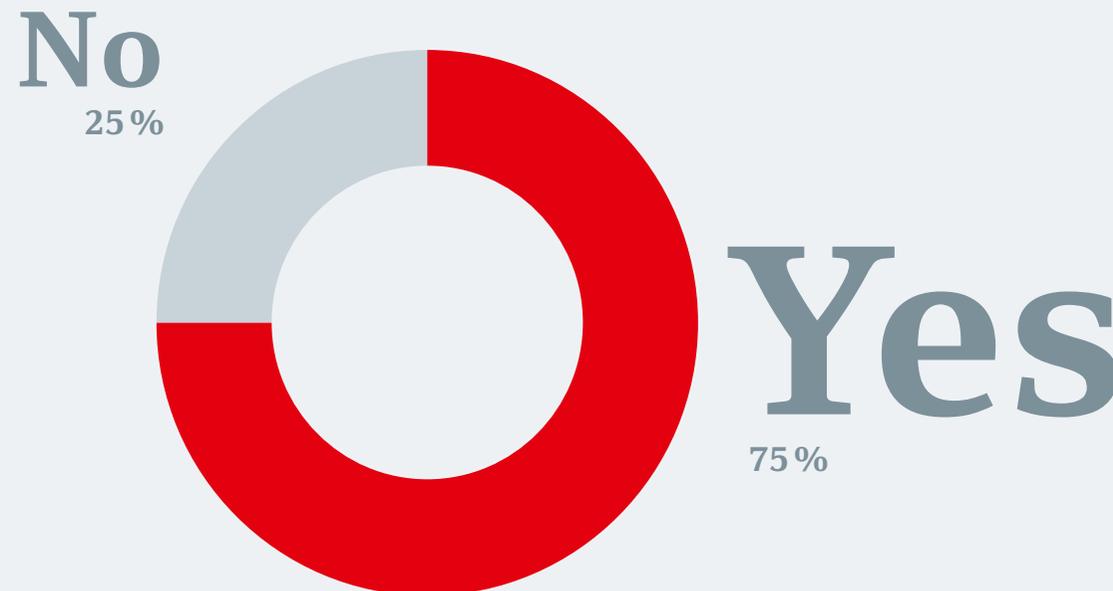
2. Please name up to 3 factors that will shape the German real estate market over the next 12 months.

For several years, interest rates have been a determining factor for the German real estate market. The political framework conditions remain consistently in second place. Demography comes in sixth.



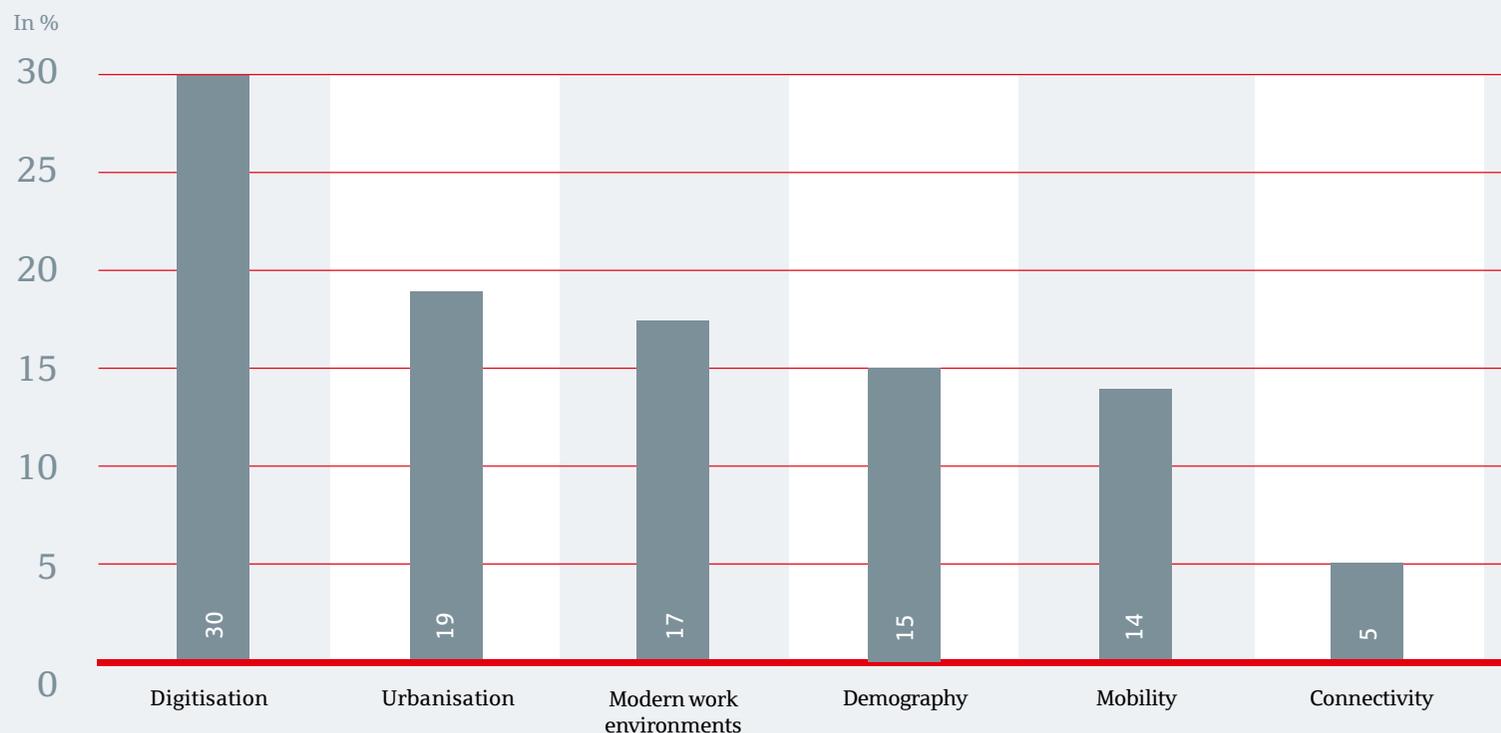
3. The intensification of global crises will continue to drive the German real estate market.

The biggest uncertainties the real estate market is facing seem to currently be happening outside of the financing cosmos. In the past, the far-reaching effects of exogenous shocks could often be observed. Through abrupt changes in demand and prices, they have the potential to create an imbalance. But, insidiously, no one can predict the effects of exogenous shocks. 75 % of respondents however predict that the German real estate market will be further driven by a possible intensification of global crises.



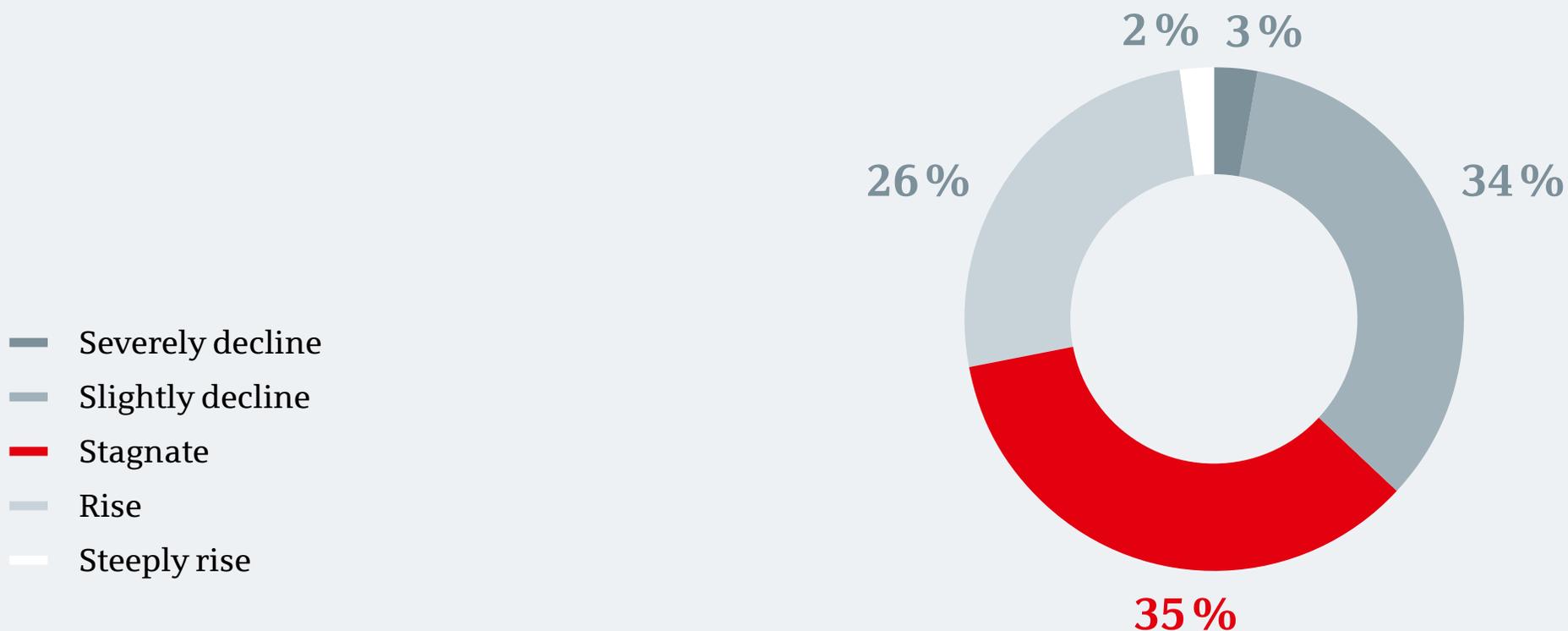
4. Which megatrends will have the greatest impact on the commercial real estate market over the next 24 months? Two responses were possible.

Digitisation will be the determining factor of the commercial real estate market over the next 24 months. As no other issue dominates the industry's reporting as much as digitisation, this is definitely a predictable result. This issue covers a wide spectrum: digitisation is shaping the real estate industry from SmartHomes to state-of-the-art property management programmes through to financing apps.



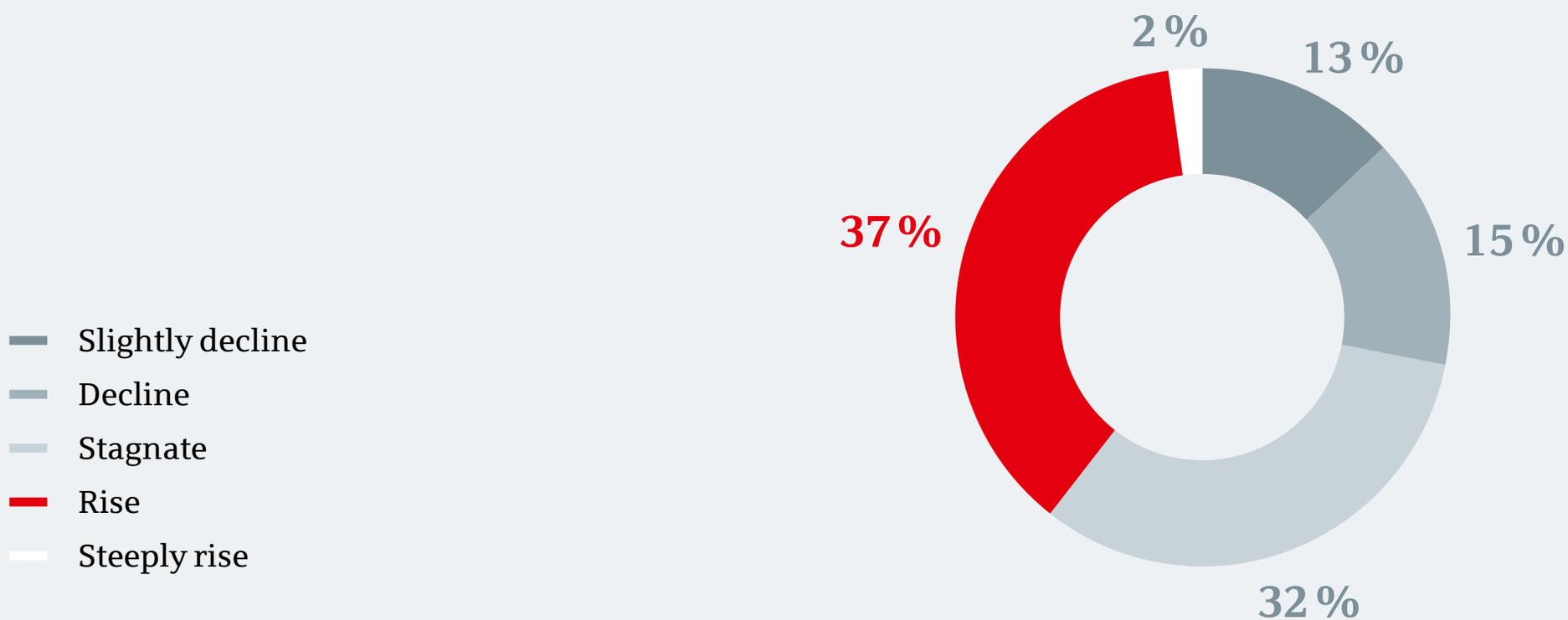
5. How will margins in commercial real estate financing change over the next 12 months?

There is great uncertainty about margins. 35 % of respondents expect stagnation, 26 % rising margins and 34 % slightly declining margins. This remains to be seen.



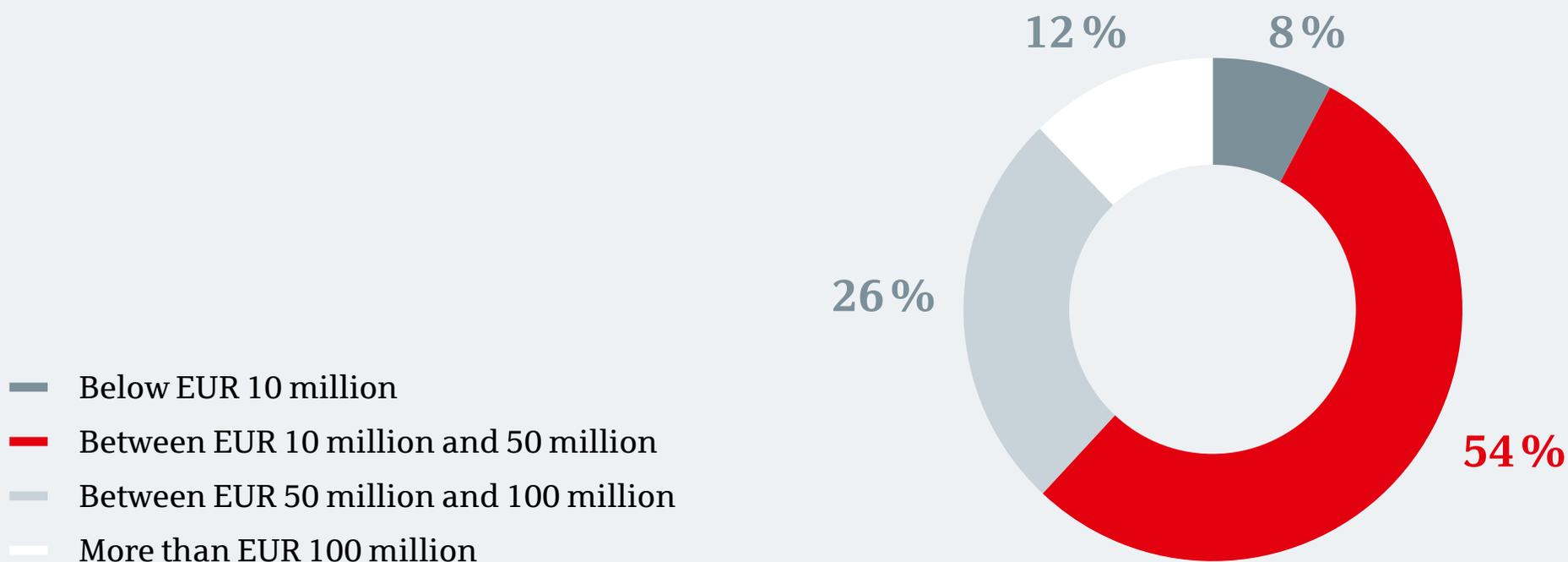
6. How will new lending in commercial real estate financing develop over the next 12 months?

According to 69% of the real estate experts surveyed, new lending is rising or remains stable at a high level. Only 28% expect new lending to decline. The real estate boom will probably continue for some time to come.



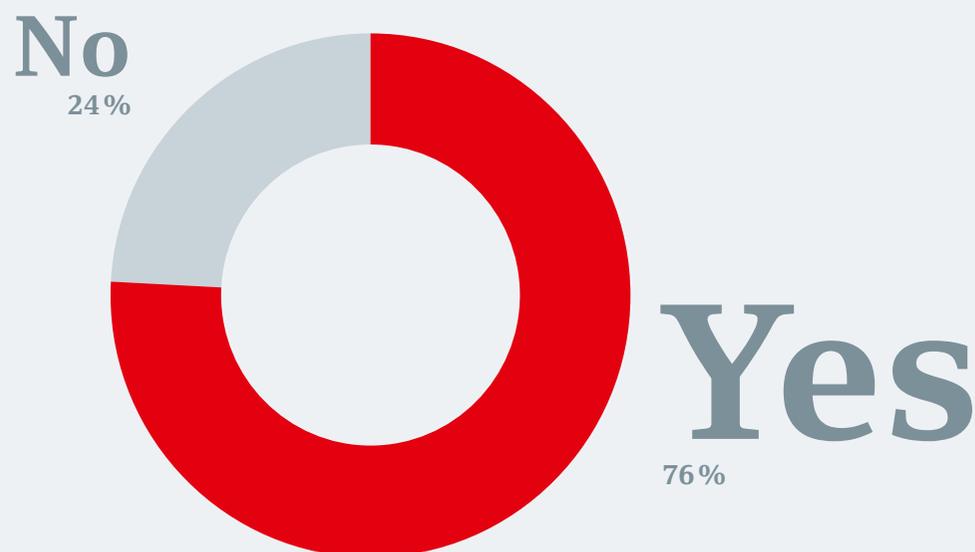
7. How high will the average credit volume be over the next 12 months?

According to the respondents' estimates, the average credit volume for new lending will primarily be between EUR 10 and 50 million, followed by lot sizes of between EUR 50 and 100 million. Only 12 % of the respondents assume that average volumes of over EUR 100 million will be lent in the coming real estate year.



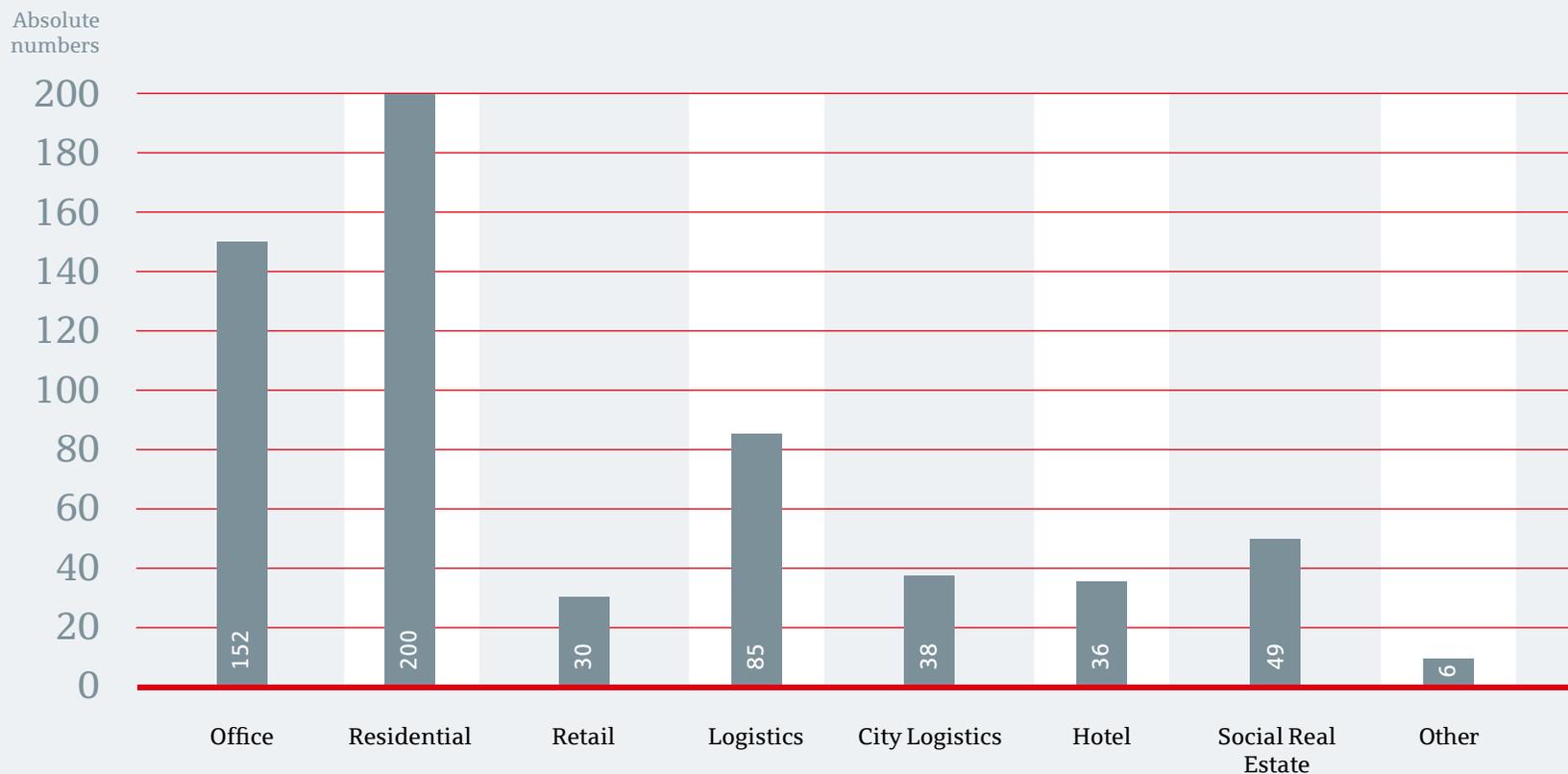
8. Is the pressure on margins driving banks increasingly into higher risk?

The respondents' votes were very clear here: 76 % of respondents assume that banks are taking higher risks in order to safeguard adequate margins. However, 24 % consider this will not be the case. Margins may have bottomed out by now. In the current late phase of the real estate boom, real estate financiers are acting accordingly cautiously and are providing less, but selected, lending. This has resulted in a shortfall in real estate financing. In addition, the decline in prepayments means that new lending will be recognised more quickly in the balance sheet and that Basel IV is gradually requiring more equity needed to back operational risk.



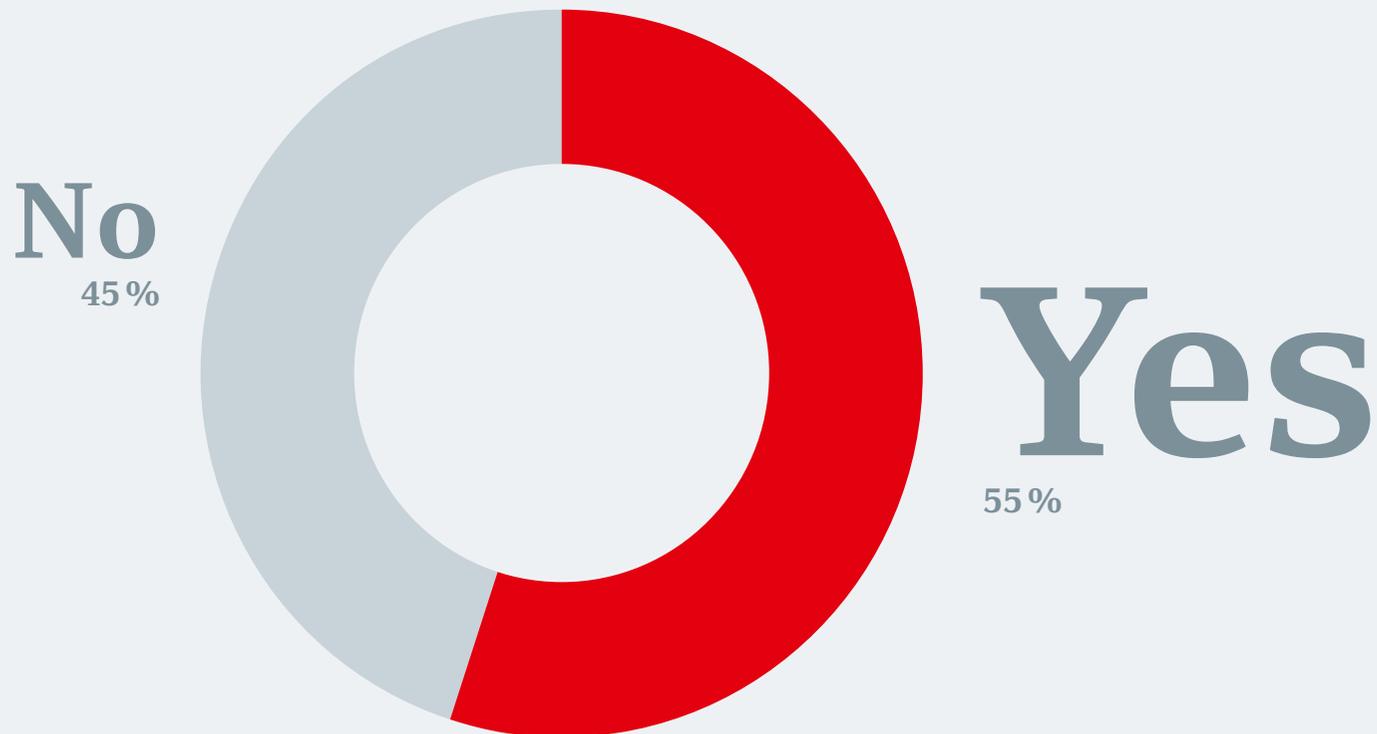
9. Concerning new financing, which asset classes are in the main focus? Two responses were possible.

When it comes to new financing, Residential and Office are the most important asset classes by far, followed by Logistics.



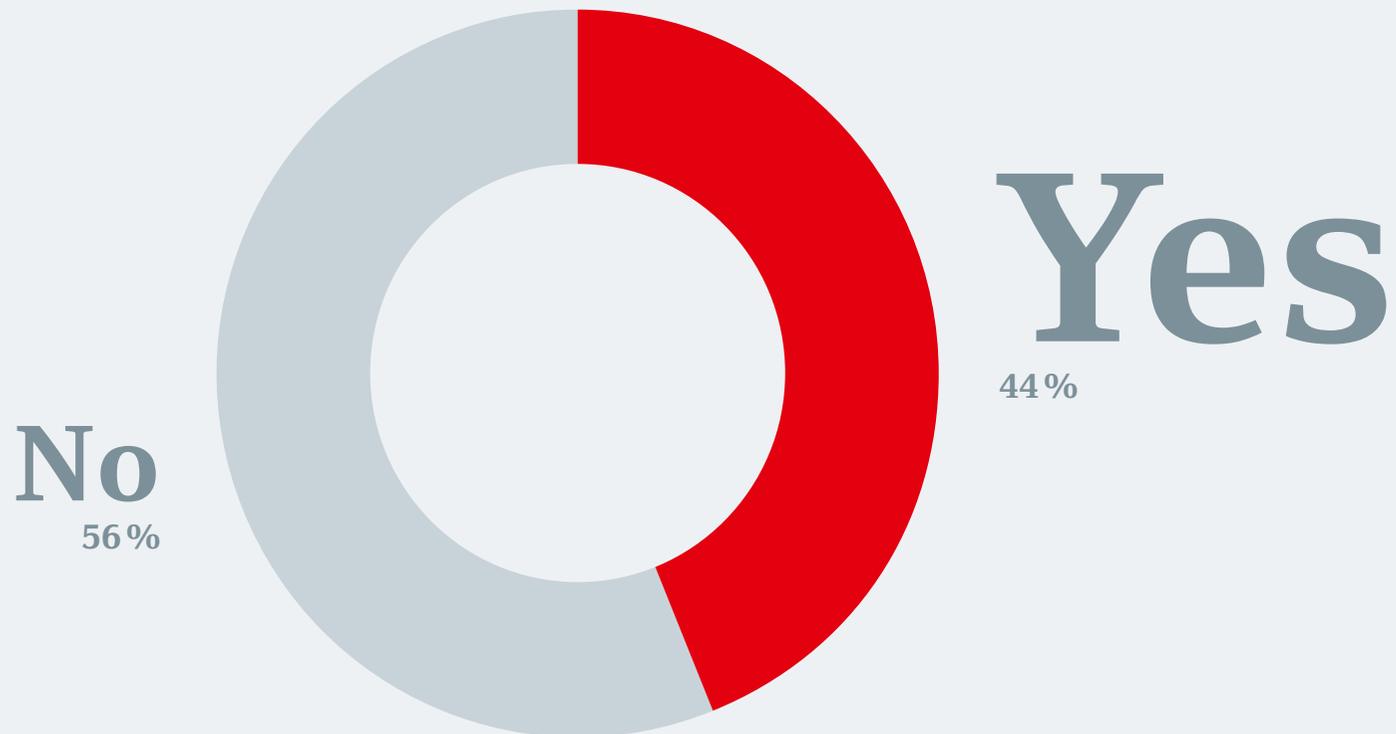
10. For years, there have been warnings that the real estate bubble may burst. Do you think that these warnings should be taken seriously and that there already is a real estate bubble?

According to the respondents' opinions, 55 % believe that there is a bubble. 45 % do not believe that we need to fear a bubble. But we won't recognise the bubble anyway until it bursts. So, a lot can still happen.



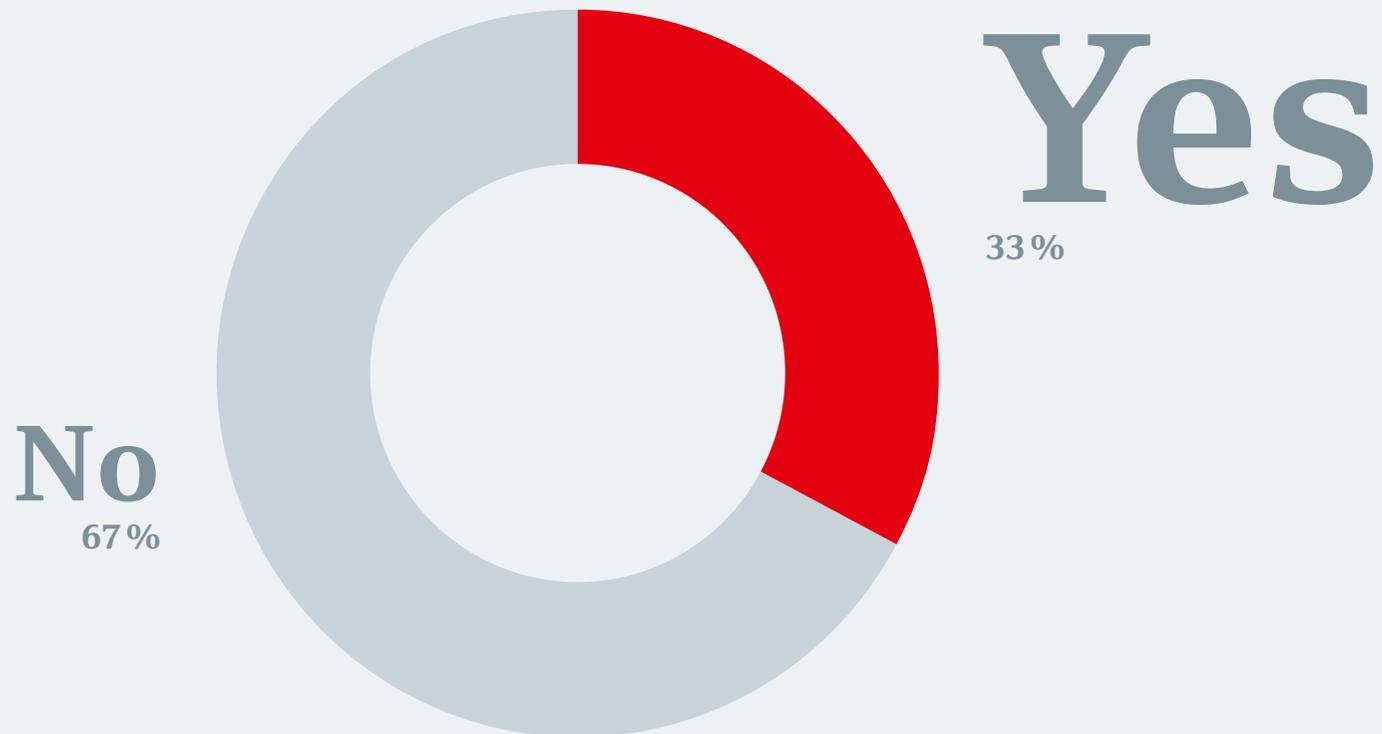
11. Will the structural changes triggered by demographics weaken demand for office space?

The Germans are becoming fewer, older and more individual. Will fewer employed people therefore need less office space? At least that is the logical consequence. However, 56 % of respondents view this differently and do not believe that the demographic effects will lead to a weakening demand for office space.



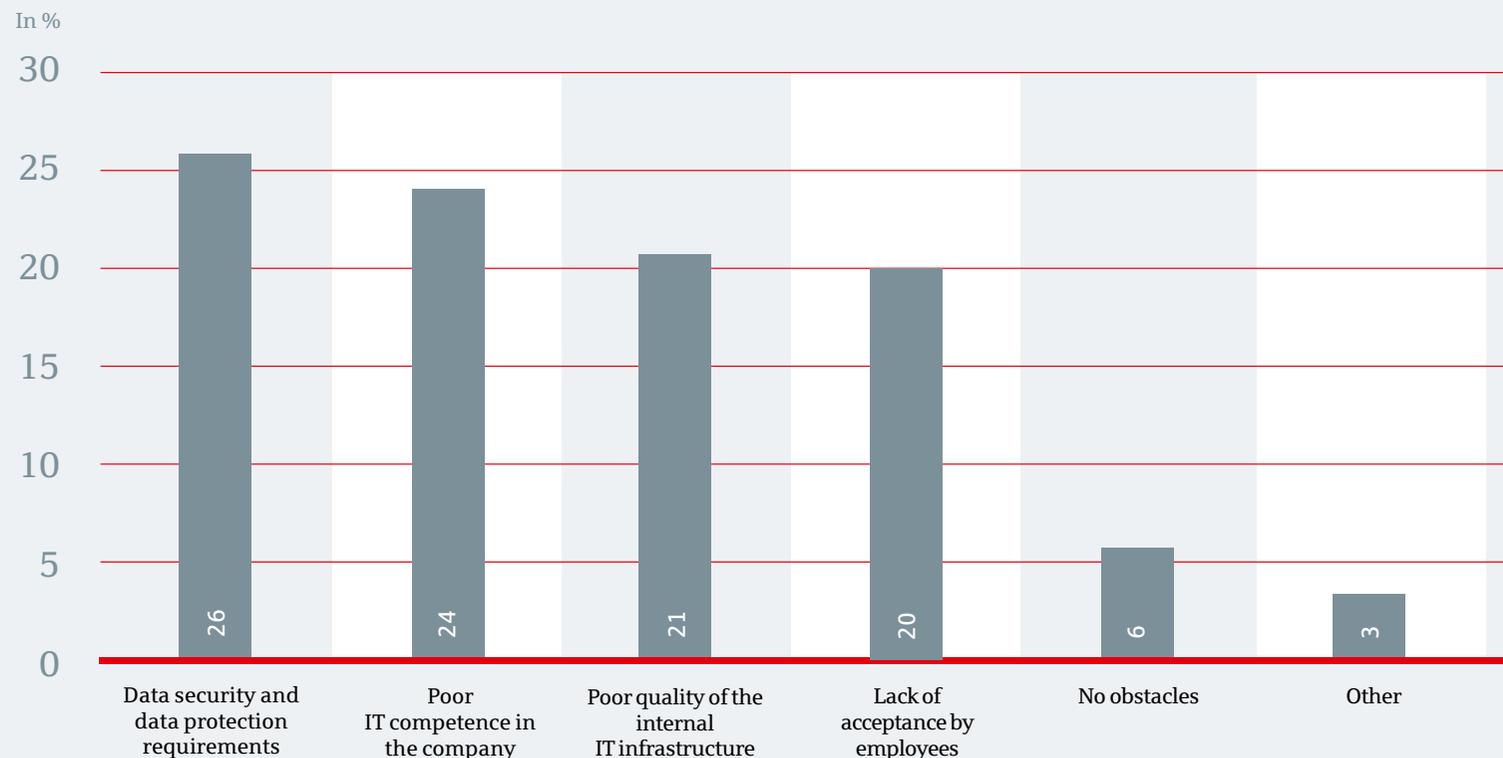
12. Do you feel that the German coalition agreement sufficiently supports you in the digitisation process at your company?

The German coalition agreement does not seem to be a milestone in companies' digitisation processes. 67 % of respondents do not feel sufficiently supported by it. There seems to be room for improvement here.



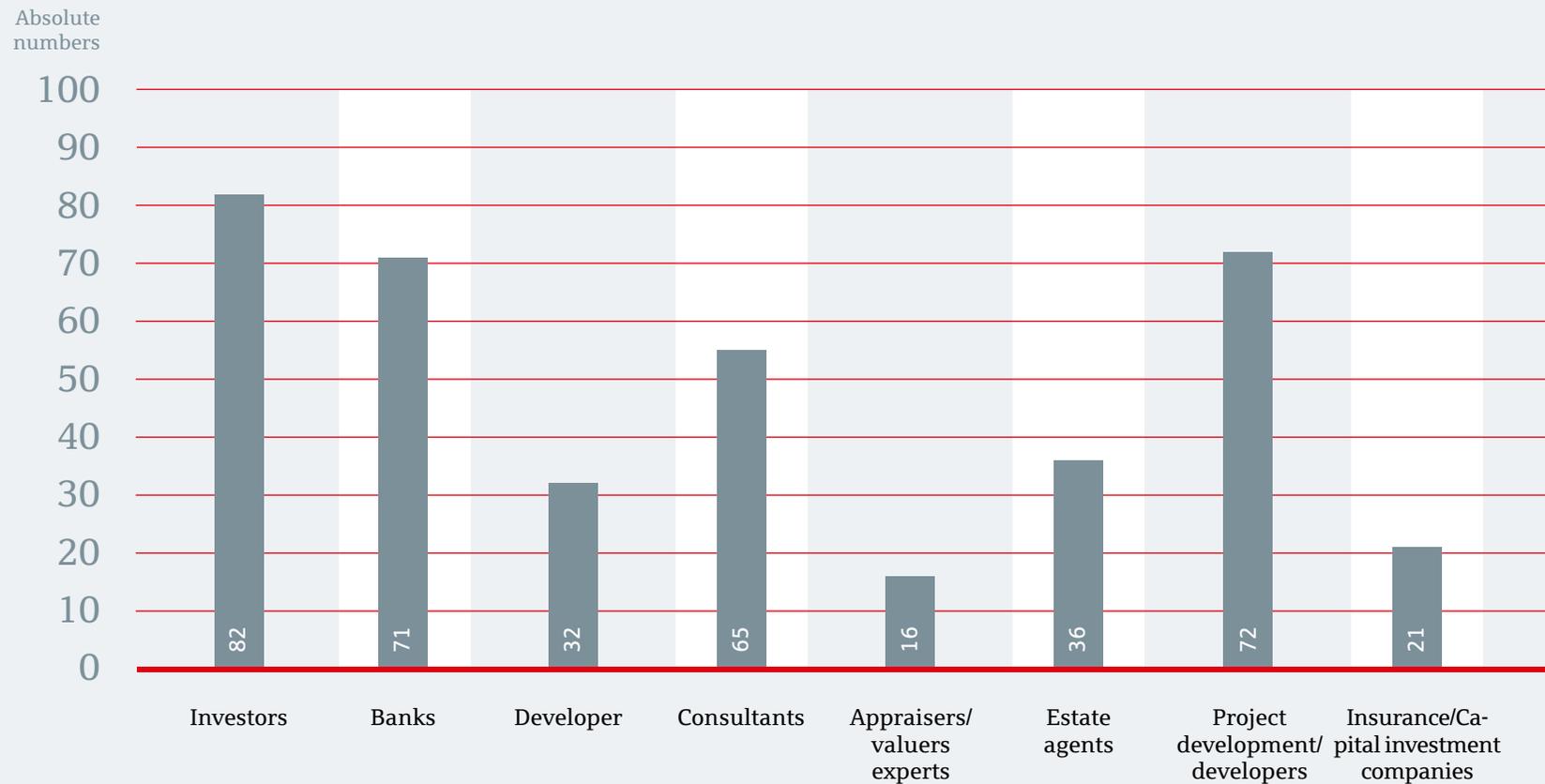
13. In your opinion, what are the biggest obstacles to digitisation in your company? Up to 3 responses were possible.

Above all, the digitisation process is being hindered by data protection requirements as well as inadequate IT competence and poor quality of the IT infrastructure at the companies. Interesting: 20 % of respondents indicated a lack of acceptance among employees to be an obstacle. This shows how important it is to convince all employees of the ideas of digitisation and to get them on board.



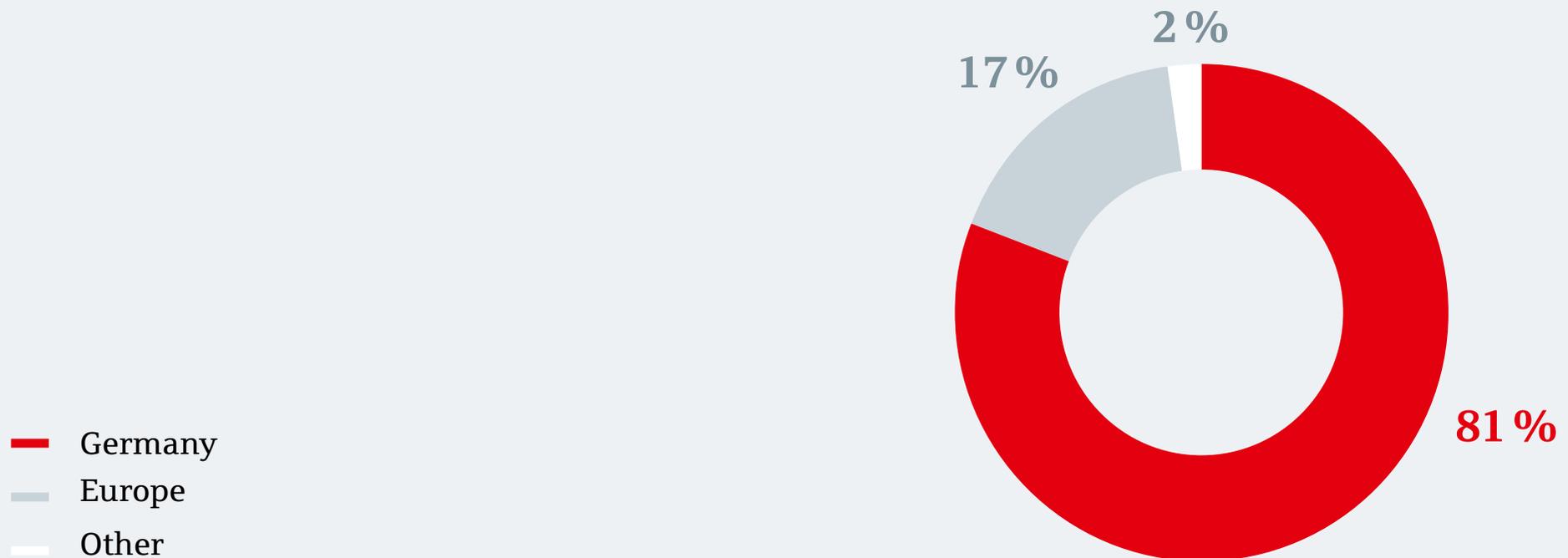
Survey participants

14. Which are your company's business areas?



Survey participants

15. Where is your company headquartered?



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